

**Remarks at the 120<sup>th</sup> Annual Meeting of the California Bankers Association Gala  
Dinner**

**William S. Haraf, Commissioner, California Department of Financial Institutions  
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Early in 1891 at the initiative of the Los Angeles Clearing House Association, California bankers were invited to a meeting to organize a state association “to induce harmony and promote the welfare and usefulness of banks and bank institutions in California.” 94 delegates from 77 banks assembled in Los Angeles for this 3 day meeting which began on March 11.

Addresses were made on a variety of topics, some serious, some less so. And at this gathering, the California Bankers Association was formed. Dues were placed at \$10 per bank or banker.

The environment then had some similarities to today. The Baring Crisis of 1890 had just erupted – the most famous sovereign debt default of the nineteenth century. Argentina had been borrowing heavily from abroad in the preceding years to finance infrastructure improvements. The government was running big budget deficits, the money supply was growing 18%/year and the inflation rate hit 19%.

The House of Baring, a notable investment bank headquartered in London, was distributing much of this debt throughout Europe. But as foreign investors began to lose confidence in Argentine debt, Baring got stuck with a new debt issue which it couldn't syndicate. On the verge of bankruptcy, the Bank of England organized a bailout for Baring. But Argentina's default led to worries about other Latin American borrowers that boosted their borrowing spreads over gilts by nearly 800 bps.

Unlike today, California banking was largely unaffected by the tumult. The Report of the Board of Bank Commissioners of the State of California that year noted about the CBA gathering that “It is a subject of great congratulation and comfort to Californians that the financial storms which have swept over foreign countries and the Eastern States during the past year have not sent even a ripple to this coast...While we often complain that we are far removed from the great money centers of the world, our location may be particularly favored when we recognize that the rest of the world may be resting upon financial volcanoes...”

The book, *California Bankers 1848 – 1993*, which was funded by the CBA, noted that “partly because of CBA's interest in reform, and partly due to the fact that it had the most qualified people and the best financial minds in the state, the legislature allowed

the bankers considerable latitude when it came to suggesting revisions to the banking code. CBA committees essentially wrote not only the 1905 banking law, but also the 1907 and 1909 amendments. The 1909 Act centralized authority over state banks in the hands of the “State Superintendent of Banks” who ran the newly formed state banking department, the forerunner to today’s DFI. So, I guess I owe CBA a personal thank you for creating my job! And with that, I would like to present this proclamation which states:

*On the Occasion of the California Bankers Association’s 120<sup>th</sup> Annual Convention of Bank Officers and Directors, the California Department of Financial Institutions extends its gratitude and appreciation to CBA for its numerous contributions in support of the California banking system. This annual convention, and the many other training and information-sharing opportunities CBA provides to Bank CEOs, Officers and Directors, have enabled generations of bankers to succeed in California’s dynamic and competitive market.*

**Bank Statistics: 7/1/1891**

<b>State Banks</b>	<b>Number</b>	<b>Total Assets</b>
Commercial banks	139	\$94,242,496.31
Savings banks	45	\$126,218.092.44
Foreign banks	5	\$24,086,552.65
Private banks	20	\$5,114,318.84
Total	209	\$249,661,460.24
National Banks	37	\$34,184,802.75
Grand Total	246	\$283,846,262.99

Source: Comparative Statements, Report of the Board of Bank Commissioners of the State of California, July 1, 1891